

Families and Children Manual	Section: Financial Eligibility
Policy Manual Number: 010.020	Chapter: Countable and Excluded Income

COUNTABLE AND EXCLUDED INCOME

Legal Authority: 26 USC 36B(d)(2)(B); 42 CFR 435.603; 42 CFR 435.949; 42 CFR 435.952; Tenn. Comp. R. & Regs. 1200-13-20

1. Policy Statement

Income eligibility for certain TennCare Medicaid categories and CoverKids is determined using the Modified Adjusted Gross Income (MAGI) methodology. In general, countable income includes income types that are taxable under federal tax law and excluded income includes income types that are non-taxable.

2. MAGI Income Types

Countable income under the MAGI methodology is based on the taxable income types reported to the Internal Revenue Service (IRS) as part of an individual or household's income tax return. In an effort to simplify income reporting under the MAGI methodology, the Centers for Medicare & Medicaid Services (CMS) and the IRS identified the most often reported income types. The following income types are listed on the federal application: Jobs, Self-Employment, Rental or Royalty Income, Farming or Fishing Income, Social Security Benefits, Unemployment Insurance, Retirement, Pension, Capital Gains, Alimony, Investment (Interest) Income and Other Income (e.g. canceled debts, court awards, jury duty pay, cash support, gambling, prizes or awards).

3. Countable Income

a. Job

i. Wages

Wages includes all compensation from employment, and the term is generally defined to mean gross wages. Gross wages after pre-tax deductions are taken out by an individual's employer are countable. The pre-tax deductions may include funds for child care, health insurance or retirement plans that are not taxable.

An individual's pay stub may list his "federal taxable wages", which subtracts the pre-tax amounts from gross wages. If this amount is provided on a pay stub, the individual should report that number.

Wages are counted (considered available to the individual) at the earliest of the following:

1. When received or paid;
2. When credited to the individual's account; or
3. When set aside for the individual's use.

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Deferred wage payment occurs when wages are paid at a time later than they normally would have been paid. If wage payments are deferred due to circumstances beyond the employee's control, consider the payment earned income when it is actually available to him. If payments are deferred at the employee's request, determine when the wages would normally have been paid and consider them earned income for that period.

ii. Bonus

Countable. A bonus is a one-time payment that an individual receives in addition to her normal job wage or salary.

iii. Commission

Countable. Income received by an individual for services performed. Commission income is often paid based on a percentage of a sale or a fixed amount per sale.

iv. Contractual

Countable. Income paid to an individual based on a contractual agreement. To calculate contractual income, average the full amount of income paid on a contractual basis over the number of months the contract covers.

v. Tips

Countable. Money and goods received for services performed by food servers, baggage handlers, hairdressers, and others. Tips go beyond the stated amount of the bill and are given voluntarily. All tip income is countable, even if it is not reported to the employer.

vi. Differential

Countable. Payment made to an individual by an employer for a period during which he is performing service in the uniformed services while on active duty for a period of more than 30 days. Payment represents all or a portion of the wages the individual would have received if he was performing services for the employer.

vii. Older Americans Act

Countable. Title V of the Older Americans Act of 1965 provides part-time jobs for unemployed low-income people age 55 and older who have poor employment prospects. This income type includes wages and salaries paid to individuals as a result of their participation in a program funded under Title V of the Older Americans Act of 1965 as earned income.

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viii. Sick/Disability Pay

Countable. Income an employee receives during a temporary absence from work due to an injury, sickness or disability. Sick/Disability pay is considered part of an individual's wages for tax purposes. Sick/Disability Pay received within the first 6 months of the individual being unable to work is earned income. Sick/Disability Pay received more than 6 months after the individual is unable to work is considered unearned income.

ix. In-Kind Wages

Countable. Non-cash compensation, including food or shelter, received by an individual for work performed in place of, or in addition to, wages, profit or payment in cash. The value of in-kind wages is determined by the current market value of the item minus the amount of the outstanding balance due on the item, if any.

x. In-Kind Not Food/Shelter

Countable. Clothing or other goods received by an individual for work performed in place of, or in addition to, wages, profit or payment in cash.

xi. Severance Pay

Countable. Severance pay is countable earned income in the month received.

xii. Census Wages

Countable. Income paid to an individual by the Census Bureau for temporary employment activities in connection with the full Census that occurs every 10 years.

b. Self-Employment

i. Net Earnings

Net earnings from self-employment are countable income when determining eligibility. Self-employment is the act of engaging in a trade or business. A trade or business is generally an activity carried on for a livelihood or in good faith to make a profit. Individuals may be contractors, franchise holders, owners, operators, partners, etc. An individual must meet all of the following criteria to be considered self-employed:

1. Earns income directly from the business or trade, not from wages or salary from an employer;
2. Responsible for the payment of their entire Social Security and federal withholding taxes;

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3. Does not have an employee/employer relationship with another individual and the services performed cannot be controlled by an employer; and
4. Should file self-employment tax forms (Schedule F, C, C-EZ, SE, etc.).

ii. Allowable Deductions

Net income is the gross income from any trade or business minus allowable deductions for that trade or business. Allowable deductions include expenses paid to operate the business or participate in the trade, including:

1. Car and truck expenses;
2. Depreciation;
3. Employee wages and fringe benefits;
4. Property, liability or business interruption insurance;
5. Interest on business loans;
6. Legal and professional services;
7. Rent or lease of business property and utilities;
8. Commissions, taxes, licenses and fees;
9. Advertising;
10. Contract labor; and
11. Repairs and maintenance.

iii. Business Structures

There are different types of self-employment business structures. Some common structures include:

1. Sole Proprietorships: A self-employment business that is not incorporated and has one or two owners. A Limited Liability company (LLC) is not a sole proprietorship;
2. Independent Contractors: An individual who pays her own employment taxes and does not have an employee/employer relationship is considered self-employed, unless incorporated or an LLC; and
3. Sharecroppers: If a sharecropper pays the costs of doing business and receives a portion of the net income in exchange for her labor, she is considered self-employed, unless incorporated or an LLC.

If an individual is self-employed and has a partner or is a joint owner of a business, the individual's self-employment net earnings will be based on her distributive share from the business.

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iv. Federal Income Tax Return Forms

1. Net Earnings from Self-Employment (NESE)

Self-employed individuals report their NESE on the Schedule SE tax form. Other forms may be used to report income (Schedule C, Schedule F, etc.) but the amount listed on Schedule SE should be used to verify self-employment earnings whenever possible. The NESE is the gross income from any trade or business less allowable deductions for that trade or business. NESE also includes any profit or loss in partnership. For the purpose of determining eligibility, count the NESE on a taxable year basis and divide the total of these earnings equally among the months in the taxable year.

Verify net earnings from self-employment on Schedule SE. The amount of net earnings from self-employment that should be reported based on a Schedule SE may be found under: Section A, line 4 or Section B, line 4.c. If line 4 or 4.c. show a positive amount of less than \$400, then line 3 is used even if the amount on line 3 is greater than \$400.

Schedule SE may not be available or usable when:

- a.** An individual has started a new business and was not self-employed in the prior tax year; or
- b.** An individual has applied for or is receiving Title II (Social Security) benefits.

2. Schedule C

Used to report profit or loss from a Sole Proprietor business (general). Net profit or loss is listed on the Schedule C.

3. Schedule F

Used to report income and expenses from a farm operation. Net profit or loss is listed on the Schedule F.

4. Business Records

When a federal income tax return is not available, or the individual has made changes, stopped or added to the business, business records may be used to determine net earnings. When business records are used, use the individual's gross income and allow the same deductions that are allowed by the IRS.

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c. Rental or Royalty

i. Rental or Lease

Rental income is the amount an individual receives for use of his property after all property expenses are subtracted. Net rental income is countable when determining eligibility.

1. **Gross Rental Income:** All rental income that an individual collects for the use of his property is included in gross rental income.
2. **Rental Expenses:** Rental expenses that may be deducted from gross rental income include:
 - a. Pre-rental expenses (expenses related to managing, conserving and maintaining rental property from the time property is available to rent);
 - b. Advertising;
 - c. Cleaning and maintenance;
 - d. Utilities;
 - e. Fire and liability insurance;
 - f. Taxes;
 - g. Interest;
 - h. Commissions for the collection of rent;
 - i. Ordinary and necessary travel and transportation; and
 - j. Legal and other professional fees.
3. **Other considerations:** If an individual only rents part of his property, expenses must be divided between the part of the property that is used for rental purposes and the part of the property that is used for personal purposes. This also applies if an individual has any personal use of a dwelling unit, such as a vacation home, which he rents.
4. **Counting Rental Income:**
 - a. Income Received on a Regular Basis.

If an individual has a federal tax return available to verify the earnings from last year and the rental situation has not changed, prorate the reported annual profit over 12 months. Count the result as self-employment income, taking into account any changes for the prorated period. If this is the case, consider the individual self-employed. Rental income should be considered unearned income if the individual is not self-employed.

If the individual does not have a federal tax return available from the previous year, determine the monthly income based on the rental/lease agreement in effect and any expenses the individual has paid or expects to pay in that month.

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b. Income Received Annually or Infrequently.

If rental income is received on an annual or infrequent basis, prorate the annual amount including the anticipated changes over 12 months and count the monthly income as self-employment income.

5. Verification: If verification is required for rental income, request at least one of the following documents:

- a.** A copy of the rental or lease agreement in effect during the period under consideration;
- b.** A copy of the receipt the individual prepared upon receiving rental income; or
- c.** A copy of the previous year's federal income tax return.

ii. Royalties/Honoraria

Countable. Royalty income includes any payments an individual receives from a patent, copyright or any other natural resource owned by the individual.

Royalties are countable unearned income when the individual receives payment based on the use of a natural resource for which he owns the usage rights or the individual is not self-employed.

d. Farming/Fishing

Farming or fishing income may be considered self-employment income but should only be counted once.

i. Farming Income

Farming income is countable. Farming income is income received when an individual is in the business of farming if she cultivates, operates or manages a farm for profit, either as owner or tenant. A farm can include livestock, dairy, poultry, fish or fruit. It can also include plantations, ranches, ranges and orchards.

ii. Fishing Income

Fishing income is countable. Fishing income includes amounts an individual receives from catching, taking, harvesting, cultivating or farming fish, shellfish, crustacean, sponges, seaweeds or other aquatic forms of animal or vegetable life, as well as money from patronage dividends and fuel tax credits and refunds.

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iii. Counting Farming or Fishing Income

1. Income Received on a Regular Basis

If an individual has a federal tax return available to verify the earnings from last year and the business model remains the same, prorate the reported annual profit over 12 months. Count the result as earned income, taking into account any changes for the prorated period.

If the individual does not have a federal tax return available from the previous year, determine the monthly income received and any expenses the individual has paid or expects to pay in that month.

2. Income Received Annually or Infrequently

If farming or fishing income is received on an annual or infrequent basis, prorate the annual amount with anticipated changes over 12 months and count the monthly income as earned income.

iv. Verification

If verification is required for farming or fishing income, request at least one of the following documents:

1. A copy of an agreement executed by the owner and the individual working the farm (the individual could be either the owner or the tenant);
2. A copy of the most recent profit or loss statement; or
3. A copy of the previous year's federal income tax return.

e. Social Security Benefits

Income received from Social Security disability, retirement or survivor's benefits each month is countable for individuals required to file taxes. Social Security is also countable for individuals when income other than Social Security is over the tax filing threshold. The individual must provide the amount of benefit prior to any deductions, such as Medicare premiums, income tax withholding, overpayments, child support or alimony.

Countable Social Security income types include:

- i. Social Security Disability Benefit (SSDI); and
- ii. Social Security Survivor or Retirement.

Note: This is not Supplemental Security Income (SSI). SSI is not countable income.

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Income received from Social Security each month is not counted for tax dependents who are not required to file taxes. Social Security income is also not counted for children included in a natural or biological, adopted or stepparent's household when the child's income other than Social Security is under the tax filing threshold.

f. Railroad Retirement

Railroad Retirement Board benefits are paid in lieu of Social Security Retirement, Auxiliary or Disability to an individual based on earnings in the railroad industry. Railroad retirement benefits are countable unearned income in the month of receipt.

g. Unemployment Insurance

Count the full value of unemployment compensation benefits as available unearned income in the month of receipt. Unemployment compensation includes any amount received under an unemployment compensation law of the United States or a state.

If verification is required, verify the amount of unemployment benefits received with one of the following:

- i. Documentary evidence from the Tennessee Department of Labor and Workforce Development;
- ii. Access through data matches available through the Department of Labor – Unearned Income data source; or
- iii. Documentary evidence from the state of issuance showing unemployment benefits are from another state.

h. Retirement

Payments an individual receives from a retirement account may be countable depending on the type of account, how much was contributed to the account, and whether the amount contributed was already taxed.

For treatment of certain types of retirement accounts, see sections *3.n.vii* and *3.m.* in this policy.

i. Pension

A pension is generally a series of definitely determinable payments made to an individual after retiring from active employment. Pension payments are made regularly and are based on such factors as years of service and prior compensation. Pension payments are generally made to an individual after retiring from active employment.

Pension income may be countable depending on the type of pension account, how much was contributed to the pension account, and whether the amount contributed was already taxed.

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The amount of distributions received from a pension account should be provided on the application, even if the individual is not retired.

j. Annuities

An annuity is a type of trust with periodic payments that are generated by a bank or insurance company from funds deposited by the individual either in a lump sum or installments to establish a source of income for a future period. Annuity income is subject to the same treatment as pension income for the MAGI categories.

The amount of distributions received from an annuity account should be provided on the application, even if the individual is not retired.

k. Capital Gains

Countable. A capital gain is income an individual receives when a capital asset is sold and an individual makes a profit. Capital assets include a home, household furnishings, and stocks and bonds held in a personal account. When a capital asset is sold, the difference between the amount paid for the asset and the amount it is sold for is a capital gain or capital loss.

l. Alimony

Alimony received is money paid to an individual from a spouse that the individual no longer lives with, or a former spouse, if part of a divorce agreement, separation agreement or court order. Alimony is countable income if the separation, divorce agreement, or court order was finalized on or before December 31, 2018. Alimony received as the result of separation, divorce agreement, or court order that was finalized on or after January 1, 2019 is excluded. Payments designated in the agreement or ordered as child support or as a non-taxable property settlement are not alimony.

m. Interest Income

Countable. Dividends and interest are returns on capital investments such as stocks, bonds, and savings accounts, including accrued interest on loans made by the individual.

Count income received on a monthly basis in the month the individual receives it, or the month it is available for his use. Convert interest payments received on other than a monthly basis to a monthly amount by prorating the payment over the accrued period.

Types of Interest Income:

- i. Stocks and Bonds:** Income that an individual receives from stocks, bonds or mutual funds that he owns are countable.
- ii. Certificate of Deposit:** The accrued interest, based on the individual's percentage of ownership, when the certificate of deposit has reached maturity is countable.

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- iii. **Checking Account:** The interest an individual receives on their checking account, based on percentage of ownership, is countable.
- iv. **Life Insurance:** Interest income received as a result of life insurance proceeds is taxable income and countable for the purpose of determining eligibility.
- v. **Retirement Account:** Interest income received on a traditional IRA is countable when received.
- vi. **Savings Account:** The interest an individual receives based on the individual's percent of ownership of a savings account is countable.
- vii. **Contract for Deed:** Income paid to an individual from the repayment of property debt is countable.
- viii. **Promissory Note:** A promissory note is a promise in writing to pay an individual at a future date. Interest income an individual receives from a promissory note is countable.

n. Other Income

i. Canceled Debts

The amount of a debt that an individual is no longer required to pay, or that is forgiven, is countable as income in the month received. Student loan debt that is canceled or discharged due to the death or permanent and total disability of the student is not countable.

ii. Cash Inheritance

The value of inherited cash is counted as income in the month of receipt.

iii. Cash Support

If an individual is claimed as a tax dependent by someone other than a spouse or parent, any cash support provided by the tax filer in excess of \$30 a month is countable as income in the month received.

iv. Countable Unearned Income

1. Court awards

Settlement amounts that are received, either by compromise or judgment, may be countable income based on the item that the settlement replaces. The following settlements or awards are countable income:

- a. Interest on any award;
- b. Compensation for lost wages or lost profits in most cases;
- c. Punitive damages;
- d. Amounts received in settlement of pension rights (if the individual did not contribute to the plan);

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- e. Damages for patent or copyright infringement, breach of contract, or interference with business operations;
- f. Back pay and damages for emotional distress received to satisfy a claim under Title VII of the Civil Rights Act of 1964; and
- g. Attorney fees and costs where the underlying recovery is included in gross income.

Note: Compensatory damages for personal physical injury or sickness are not countable income.

v. Federal Emergency Management Agency (FEMA) Non Disaster or Emergency

FEMA funds made to a household to pay for rent, food and utility assistance when there is no major disaster or emergency declaration are countable income.

vi. Gambling, prizes or awards

Compensation received from gambling, prizes, or awards is countable. The way in which gambling, prizes, or awards are received impacts how the compensation is counted. Gambling, prizes and awards can be received in installments, a lump sum, or as a non-cash prize.

1. Installments

Monetary gambling winnings, including lottery winnings, which are received in installments are countable in the month received.

2. Lump sum

Monetary gambling or lottery winnings which are received as a lump sum are countable. The month in which the income is counted is dependent upon the total winnings and who in the Eligibility Determination Group (EDG) received the winnings.

- a. Monetary gambling or lottery winnings is countable in the month received for all individuals in the EDG except for the individual who receives the winnings.
- b. Monetary gambling or lottery winnings received in a lump sum for the individual who received the winnings should be counted as follows:
 - i. Winnings less than \$80,000 are counted in the month received;
 - ii. Winnings of \$80,000 but less than \$90,000 are counted as income over two months, with an equal amount counted in each month; and
 - iii. For every additional \$10,000, one month is added to the period over which the total winnings are divided in equal installments. The maximum period of time over which winnings may be counted is 120 months.

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Example: Martha is pregnant and applies for Medicaid on February 7th. She purchases a lottery ticket on February 15th and wins a lump sum of \$93,000. Since she received over \$90,000 in winnings, her winnings will be counted over 3 months. Unearned income of \$31,000 is countable in the February, March and April budgets.

3. Non-Cash Prizes

The fair market value of bonds, cars, houses or other noncash prizes won is countable income in the month received.

vii. Income Producing Resource

Income received from an income producing resource is countable in the month of receipt. Income producing resources include:

1. Contract for Deeds;
2. Promissory Notes;
3. Individual Retirement Account (IRA);
4. 401(k); and
5. Keogh Account.

viii. Jury Duty

Jury duty pay is countable income. Any jury duty pay that is turned over to the individual's employer may be excluded. Individuals must enter the amount of jury duty pay received. Reimbursements or allowances received separately from jury duty pay for travel to and from courthouse, or for meals and lodging, are excluded.

ix. Sheltered Workshop

Sheltered workshops provide employment opportunities for individuals with developmental, physical or mental impairment. Sheltered workshops prepare the individuals for gainful work and provide rehabilitation, work training, and life skills. Sheltered workshops are operated by certain non-profit organizations, or by state or local government institutions.

While training in a sheltered workshop, the income received is considered unearned and is excluded. If the individual continues to work in the sheltered workshop after training, income received is considered earned and is countable.

x. Care and Contribution In Exchange for a Transferred Asset

If an individual transferred an asset and part or all of the compensation he received included a provision for lifetime total care and support, the value of the care and support contribution is unearned income and is countable.

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4. Excluded Income

The income types below are excluded when determining income eligibility under the MAGI methodology for TennCare Medicaid and CoverKids.

a. Achieving a Better Life Experience (ABLE)

ABLE accounts or 529A accounts are tax-advantaged savings accounts for individuals with disabilities that are established under a qualified ABLE program. The funds within an ABLE account are intended to cover the individual's Qualified Disability Expenses (QDEs) related to her blindness or disability.

QDEs include, but are not limited to: education, housing, transportation, employment training and support, assistive technology and personal support services, health, prevention and wellness, financial management and administrative services, legal fees, funeral and burial expenses, and basic living expenses.

All contributions and ABLE account earnings in an ABLE account are excluded as income, except that contributions are not deducted from countable income of the individual making the contribution. Contributions to an ABLE account from a third party are not countable as income. This includes funds from a trust.

Distributions from an ABLE account are not income of the designated beneficiary in any month, regardless of whether the distribution is for non-housing QDEs or housing QDEs. Distributions which exceed the QDEs incurred by the account beneficiary in a taxable year are countable income.

b. Adoption Subsidies

Payments to an individual from state adoption assistance programs or Title IV-E funds for special needs children are excluded.

c. Child Support

A payment that is specifically designated as child support or treated as specifically designated as child support under a divorce or separation instrument is not alimony. The amount of child support may vary over time. Child support payments made to a child under court order are excluded.

d. Child Support Arrearage

Child support arrearages received, whether received on a regular monthly schedule or as a one-time payment are excluded.

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e. Combat Pay

A combat zone is any area the President of the United States designates by Executive Order as an area in which the U.S. Armed Forces are engaging or have engaged in combat.

Payments made to an individual serving active duty in a combat zone are excluded entirely or in part depending on rank.

All combat pay is excluded for enlisted members, warrant officers, or commissioned warrant officers.

Combat pay is excluded for commissioned officers (other than commissioned warrant officers) up to the highest rate of enlisted pay plus imminent danger/hostile fire pay received for each month. For the 2016 tax year, the amount that may be excluded is \$8,222.10 per month (\$7997.10 for the highest enlisted pay + \$225 for imminent danger pay).

f. Community Spouse Income Maintenance Allowance (CSIMA)/Dependent Income Maintenance Allowance (DIMA)

Excluded. If an individual has a spouse receiving Institutional Medicaid, the individual may receive a CSIMA. The CSIMA is an allocation of income intended to keep the spouse of an institutionalized individual residing in the community. If the individual is receiving a CSIMA and the spouse is not part of the individual's household when determining eligibility, the CSIMA is excluded.

If the individual is a dependent of someone receiving Institutional Medicaid, the individual may receive a DIMA. The DIMA is an allocation of income from an institutionalized individual to a dependent residing in the community intended to cover living costs. If the applicant is receiving the DIMA and the institutionalized individual is not part of her household, a DIMA is excluded.

g. Death Benefit

Excluded. A death benefit is received as the result of another's death. Examples of death benefits include:

- i. SSA lump sum death benefits;
- ii. Veterans Affairs (VA) death benefits;
- iii. Proceeds of life insurance policies received due to the death of the insured; and
- iv. Railroad Retirement lump sum death benefits.

Recurring survivor benefits such as those received under Social Security Title II, private pension programs, etc. are not death benefits.

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h. Domestic Volunteers Act

Payments to volunteers from the following programs are excluded:

- i.** Title II Retired Senior Volunteer Program;
- ii.** Foster Grandparent Program; and
- iii.** Title III Service Corps of Retired Executives, Senior Companion Program and Active Corps of Executives.

i. Earned Income Tax Credit (EITC)

Earned income tax credit payments received as advance payments or as refunds are excluded.

j. Gifts

Occasional monetary gifts to the household, such as money received as a birthday, anniversary, graduation or Christmas present, are excluded. Irregular or infrequent gifts received are excluded.

k. Income Not Pursued

Income not pursued includes payments for which an individual could apply on an ongoing or one-time basis that could include annuities, pensions, retirement benefits or disability benefits. These payments are excluded.

l. Military Allowances

Military allowances are cash payments made to service members and their families to compensate the service member, at least in part, for the expenses of housing, food, clothing, and special situations during periods of active-duty service. Examples include the basic allowance for housing (BAH) and the basic allowance for subsistence (BAS). Military allowances for food, clothing, housing, travel, and moving and other in-kind military benefits are excluded.

m. Payment from FEMA due to a Disaster or Emergency

FEMA payments issued as a result of a presidentially declared emergency or major disaster are excluded. Payments made by comparable disaster assistance programs by states, local governments and disaster assistance organizations are also excluded.

n. Parent Mentor Income

Parent Mentor Income is income received by a parent or guardian of a Medicaid or CHIP-eligible child who is trained to assist families with children who have no health insurance coverage with respect to improving the social determinants of the health of such children. These individuals provide education about health insurance coverage (including obtaining health insurance, eligibility

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criteria, and application and renewal processes), assist with the completion and submission of applications for health insurance, are a liaison between families and the State of Tennessee, provide guidance on identifying medical and dental homes and community pharmacies for children, and assistance and referrals to successfully address social determinants of children's health, including poverty, food insufficiency, and housing. Any nominal amount received by the parent or guardian as Parent Mentor Income is excluded.

o. Protective Payee

A Protective Payee is someone designated by the SSA to help a beneficiary manage his benefits. Funds received by a protective payee and used for the care and maintenance of a third party beneficiary (adult or child), who may or may not be part of the protective payee's household, are excluded.

p. Reimbursements

A reimbursement or other expense allowance arrangement is a system or plan that an employer uses to pay, substantiate, and recover the expenses, advances, reimbursements, and amounts charged to the employer for employee business expenses. Reimbursements are excluded income to the extent that they do not exceed actual expenses.

Examples of excluded reimbursements include:

- i.** Reimbursements for job or training-related expenses (travel, per diem, transportation);
- ii.** Reimbursements for out-of-pocket expenses of volunteers incurred during the course of volunteer work;
- iii.** Medical and dependent care reimbursements; and
- iv.** Non-taxable moving expenses.

q. Settlements and Restitution

Income received in compensation for personal physical injury or physical sickness, whether received as a lump sum or in installments, are excluded.

r. Social Services

Social Services payments, including governmental benefit programs that are based on need such as TANF, Food Stamps, payments made under Services to the Blind and Visually Impaired, Vocational Rehabilitation (VR), and other such programs are excluded.

s. Supplemental Security Income (SSI)

SSI is nontaxable and excluded from countable income.

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t. Temporary Assistance for Needy Families (TANF) Allotment

In Tennessee, the TANF program is known as Families First. TANF Allotment is cash assistance provided to families with dependent children when at least one parent is incapacitated, unemployed, deceased, or absent from the home, and the family is unable to pay for essential living expenses. TANF Allotments are excluded from countable income.

u. Temporary Disability Insurance

Compensation received for loss of wages caused by temporary non-occupational disability is excluded. These are payments an individual does not receive from an employer. Payments received from an employer are considered Sick or Disability Pay.

v. Veterans Affairs Benefits

The following VA Benefits are excluded:

- i. VA Aid and Attendance Payment;
- ii. VA Apportioned;
- iii. VA Augmented Benefit;
- iv. VA Disability;
- v. VA Education Grant;
- vi. VA Pension; and
- vii. VA Survivor (DIC).

w. Workers Compensation

Payments an individual receives for occupational sickness or injury, and that are paid under a workers' compensation act or statute in the nature of the worker's compensation act, are excluded.

x. Education Income Not Work Study

Income received through federal student aid, such as grants and loans, except for income received through work study.

y. Work Study

Earned educational income directly contingent upon the individual attending an institution of higher education, including work study and stipends, is excluded.

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z. Workforce Innovation and Opportunity Act

The Workforce Innovation and Opportunity Act (WIOA) replaced the Workforce Investment Act of 1998. The WIOA funds a variety of programs designed to connect individuals with employment opportunities. Examples of WIOA programs include:

- i.** Adult Services Program
- ii.** Dislocated Workers Program
- iii.** Job Corps
- iv.** YouthBuild

Wages, incentives, and bonuses resulting from programs funded by the WIOA are considered countable income to the recipient. Income received in the form of supportive services, such as child care assistance, transportation, or job placement services, is not countable.

5. Medicaid Exceptions to the MAGI Methodology

MAGI-based income for TennCare Medicaid and CoverKids uses the same financial methodologies defined in section 36B(d)(2)(B) of the Code (which defines countable income as taxable income), with the following 3 exceptions:

- a.** Amounts received as lump sums are counted as income only in the month received;
- b.** Scholarships, awards or fellowship grants used for education purposes and not for living expenses are excluded; and
- c.** All of following American Indian/Alaska Native related income is excluded:
 - i.** Distributions from Alaska Native Corporations and Settlement Trusts.
 - ii.** Distributions from any property held in trust, subject to federal restrictions, located within the most recent boundaries of a prior federal reservation, or otherwise under the supervision of the Secretary of the Interior.
 - iii.** Distributions and payments from rents, leases, rights of way, royalties, usage rights or natural resource extraction and harvest from:
 - 1.** Rights of ownership or possession in any lands described in paragraph (5)(c)(ii) of this section; or
 - 2.** Federally protected rights regarding off-reservation hunting, fishing, gathering or usage of natural resources.
 - iv.** Distributions resulting from real property ownership interests related to natural resources and improvements:

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1. Located on or near a reservation or within the most recent boundaries of a prior reservation; or
 2. Resulting from the exercise of federally-protected rights relating to such real property ownership interests.
- v. Payments resulting from ownership interests in or usage rights to items that have unique religious, spiritual, traditional or cultural significance or rights that support subsistence or a traditional lifestyle according to applicable Tribal law or custom.
- vi. Student financial assistance provided under the Bureau of Indian Affairs education programs.

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		Reimbursements; Settlements and Restitution; Temporary Assistance for Needy Families (TANF) Allotment; Veterans Affairs Benefits			
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